

SECRET

Executive Reg. #
7-8450

21 January 1956

per
The Honorable Herbert Hoover, Jr.
Under Secretary of State
Department of State
Washington, D. C.

Dear Herb:

I attach some additional material for your
Berlin speech which was prepared particularly
in light of your guidance to me as to the points
you wished to cover.

Faithfully yours,

Allen W. Dulles
Director

*Handcarried by SCS
21 Jan 56*

AWD:hea

Distribution:

1 cc - DCI

1 cc - ER ✓

1 cc - Reading

incl. (w/ ~~force~~)

State

(The following is in elaboration of the suggestion that Mr. Hoover's speech could well refer with some emphasis to Soviet economic exploitation of East Germany in order to contrast Soviet slogans and practice as to "colonial exploitation.")

Stress that while the Soviet Union seeks to appeal to world opinion by cynical denunciation of "imperialism" and "colonialism," it is in fact the leading exponent of imperialism and colonial exploitation in the world today. The Soviet occupation of East Germany can no longer be regarded as the temporary occupation of a people defeated in war; it is vividly clear with the passage of eleven long years - and recently again demonstrated by the rigidly negative position taken by the Soviet Union at the Geneva Conference of Foreign Ministers - that the Soviet rulers regard East Germany as a colonial territory of the Soviet empire, to be exploited for the selfish material interests of the Soviet Union without regard for the wishes or welfare of the East German people.

The following is indicative of possible development of this point:

The history of Soviet looting and exploitation of the peoples of Central and Eastern Europe since 1945 is only too well known. As concerns Soviet exploitation of the East German people, one need only recount certain salient facts.

~~Aside from~~ *ASIDE FROM* the extensive plundering by the advancing and occupation armies, there was the organized looting and collection of war booty by special commissions. (1)

There was the wholesale dismantling of industrial plants, accounting for some 35% of East Germany's 1936 industrial capacity. (2)

There was the appropriation as Soviet corporations (SAG's—Soviet Aktiengesellschaften) of 200 of the largest and most important East German plants, coupled with forced subvention by the East German people of these corporations. (3)

There has been the tremendous burden of reparations payments from current production, which during the period of 1945-1948 accounted for fully one-third of total East German industrial production. (4)

- (1) CIA/ODR Economic Intelligence Report CIA/RR 51, 11 February 1955, p. 10
- (2) Ibid, p. 14
- (3) Ibid, p. 15 and 16
- (4) Ibid, p. 10

There has been the extraction of German uranium ore by the notorious Soviet Wismut corporation without regard for German workers' lives and German workers' health.

There have been the Soviet trade and transport companies in East Germany which act as overseers of Soviet economic (5) exploitation; the establishment of production and export plans and the arbitrary fixing of export prices, all geared to fill the economic needs and build the wealth of the Soviet Union.

There has been the mass abduction of scientists, of engineers, of working men and women and their impressment into service in the USSR; there has been the inhuman detention for ten years of vast numbers of German prisoners of war and their use as forced laborers. And there has been bargaining for diplomatic recognition against the release of part of this human booty.

And only a few days ago, the German Communists acting as Soviet pro-consuls in East Germany levied the call for colonial troops. We must give proper credit—the decision to arm an oppressed people requires strong nerves.

(5) Ibid, p. 17

See attached Page 6

Finally it can be stated that more than a decade after the conclusion of the European conflict, the East German economy still is crippled and retarded, and lags far behind that of free West Germany. (See table attached) Two factors are of primary importance in this retardation:

- 1) the massive dismantling of East German plants as reparations, and the systematic milking of the economy by the USSR occupation. The total Soviet "take" from East Germany through 1954 is estimated at over \$20 billion (current value). (6)
- 2) the stifling of private initiative and the creation of a climate of fear and suspicion. Only about 15% of the total East German industrial production still is privately owned; the rest has been perverted into a so-called "planned" economy, with the result that today it only barely exceeds prewar levels.

As a result of the ruthless Soviet exploitation of East Germany, the standard of living is only about 75% of that of West Germany, and East Germany is the only European country which still maintains an extensive system of food rationing. Held to a private consumption level which is only 85 - 90% of the prewar level, the East German population periodically has shown its anger in widespread demonstrations, such as the riots of June 1953.

(6) The German Social Democratic Party estimates that the Soviet Union extracted \$31.4 billion from the East German economy in 1945-52 along. (Vorstand der Sozialdemokratischen Partei Deutschlands, Die Reparationen in der Sowjet-Zone von 1945-1952, p. 6)

ECONOMIC RECOVERY OF EAST GERMANY
AS COMPARED TO WEST GERMANY

(1954 as a percent of 1938)

	<u>E. Germany</u>	<u>W. Germany</u>
Industrial production	110	145
Agricultural production <u>a/</u>	90	120
Gross National Product <u>b/</u>	100	135
Per capita G.N.P. <u>b/</u>	90	110
Per capita private consumption	85 - 90	110

a/ net value, in 1936 prices

b/ at market prices (1936 prices)

SECRET

A very substantial percentage of the uranium ore production available to the Soviet is plundered from East Germany and the Satellites. It seems obvious that the Soviets are concentrating on these particular sources, particularly the East German sources. This serves a double purpose. It permits them to economize on the use of their own domestic ores and it means that when liberation comes to East Germany, it will find its uranium supplies depleted if not entirely exhausted.

SECRET